

MINUTES

MONTANA SENATE 57th LEGISLATURE - REGULAR SESSION COMMITTEE ON FINANCE

Call to Order: By **CHAIRMAN BOB KEENAN**, on March 23, 2001 at 8:00 A.M., in Room 317 Capitol.

ROLL CALL

Members Present:

Sen. Bob Keenan, Chairman (R)
Sen. Ken Miller, Vice Chairman (R)
Sen. Tom A. Beck (R)
Sen. Chris Christiaens (D)
Sen. John Cobb (R)
Sen. William Crismore (R)
Sen. Greg Jergeson (D)
Sen. Royal Johnson (R)
Sen. Bea McCarthy (D)
Sen. Arnie Mohl (R)
Sen. Linda Nelson (D)
Sen. Debbie Shea (D)
Sen. Corey Stapleton (R)
Sen. Bill Tash (R)
Sen. Jon Tester (D)
Sen. Mignon Waterman (D)
Sen. Jack Wells (R)
Sen. Tom Zook (R)

Members Excused: None.

Members Absent: None.

Staff Present: Prudence Gildroy, Committee Secretary
Jon Moe, Legislative Fiscal Division

Please Note: These are summary minutes. Testimony and discussion are paraphrased and condensed.

Committee Business Summary:

Hearing(s) & Date(s) Posted: HB 2, 3/19/2001 Sections C, D
and E
Executive Action: HB 2

{Tape : 1; Side : A}

Jon Moe, Legislative Fiscal Division, explained a technical amendment to correct a typographical error in global amendment HB000231.agd, passed on March 22, 2001, dealing with general liability insurance. **EXHIBIT(fcs66a01)**

Motion/Vote: SEN. JOHN COBB moved that HB000251.ALT BE ADOPTED. Motion carried unanimously.

Clayton Schenck, Legislative Fiscal Analyst, explained that on the first technical amendment from the previous day's action on HB 2, there were 13 items on the list. There were 3 items that he wished to strike related to the Library Commission and the Historical Society.

Motion/Vote: SEN. COBB moved TO STRIKE 3 ITEMS FROM TECHNICAL AMENDMENT. Motion carried unanimously.

SECTION C

REP. DICK HAINES, HD 63, Missoula, explained the increases and decreases of the base budgets for FWP, DEQ, Department of Livestock, and DNRC.

Questions from the Committee and Responses:

SEN. COBB asked if any biennial budgets or appropriations were done. **REP. HAINES** said a number of different agencies had biennial appropriations.

SEN. ROYAL JOHNSON asked about the alternative pay plan for FWP on page C-3 of HB 2. **REP. HAINES** replied that the employees were still on the state pay plan. The alternative pay plan would put them on a parity with neighboring states and jobs in similar businesses. **SEN. JOHNSON** asked about the language "a mechanism to reward demonstrated competencies and service, and to recruit and retain qualified employees." He wondered how they proposed to do that in view of the fact that those employees were primarily on the state pay plan. **REP. HAINES** understood that the agency was developing yardsticks to measure performance and future pay raises would depend on success in the job. **SEN. JOHNSON** inquired if the agency showed the committee any results. **REP. HAINES** did not recall going into detail and said they were more concerned about funding for the increased pay raises for some of the people. All were not funded to the extent that the study had indicated they might have been.

Jeff Hagener, Director, Fish Wildlife and Parks, reported the alternative pay plan was a move in the direction that all state

agencies would be moving. Rather than the 26 pay grades currently in the state pay plan system, there would be 9 broadbands. Within those bands, competencies are set to levels of pay. Some agencies are conducting pilot projects, but FWP determined it more appropriate to do that on an overall basis. In subcommittee, it was determined the cost would be about \$800,000 per agency but the cost was redirected from operating funds to personal services. That was a one-time adjustment to the new pay plan and then the regular pay plan in HB 13 would be followed. About 50 percent of employees got a raise based on similar positions in neighboring states. **SEN. JOHNSON** asked where they took the adjustment. **Mr. Hagener** said it came from base operating funds in the divisions. **SEN. JOHNSON** asked if programs were reduced to increase the personal services budget. **Mr. Hagener** said that was correct. **SEN. JOHNSON** asked about the approximate increase for the 50 percent of the employees that received a raise. **Mr. Hagener** said the average was about a 7 percent increase. **SEN. JOHNSON** said if the pay plan increases by about 4 percent this year, those individuals would receive about an 11 percent increase. **Mr. Hagener** said that was correct.

SEN. COREY STAPLETON asked what percentage had a pay decrease under the plan. **Mr. Hagener** said there were no decreases. They looked at the market; typically entry level is about 83 percent of market. Only those below market got an increase and 50 percent got no increase.

SEN. COBB asked if agencies would be moving away from the state pay plan. **Mr. Hagener** said all agencies would be moving in the direction of the alternative pay plan. There would still be a state pay plan but using 9 broadbands instead of 26 pay grades. **SEN. MIGNON WATERMAN** asked about the 50 percent that did not get an increase and if they were included in the 4 percent pay raise. **Mr. Hagener** clarified that those employees are on the state pay plan and will get the 4 percent pay raise in the overall pay plan.

SEN. TOM BECK asked if the global amendments from the previous day's action restored all FTE that were not affected by the general fund. **Mr. Hagener** said that action restored the 2.5 percent and they still have the 4 percent vacancy savings.

SEN. COBB asked about filling positions in the Department of Commerce Banking and Finance Division. He asked if they would use the alternative pay plan to raise wages. **Deputy Director Andy Poole, Department of Commerce**, said they were working on a plan for bank examiners to get higher pay. They were working on a pay plan model to accommodate situations where positions can't

be filled. **SEN. COBB** expressed concern about the turnovers and vacancies and asked about the time frame for a solution. **Mr. Poole** thought a plan would be in place by the end of the session.

SEN. JOHNSON said that C-115 showed the elimination of the Department of Science and Technology. He asked if **Ms. Pomroy** was still with the department and would still function in that position. **Mr. Poole** said **Ms. Bobbie Pomroy**, the half-time FTE who had been administering Science and Technology, would continue to be employed by the Board of Investments and would continue to perform the investment function of the department. **SEN. JOHNSON** restated that the department had been eliminated but the investments were still out there and that was affirmed by **Mr. Poole**.

Motion/Vote: **SEN. COBB** moved to **RESTORE DNRC PUBLIC INFORMATION OFFICER FOR APPROXIMATELY \$30,000/YEAR GENERAL FUND**. Motion carried 13-3 with Miller, Mohl, and Wells voting no.

Motion: **SEN. LINDA NELSON** moved **HB000227.agh TO ELIMINATE THE DNRC AGRICULTURE HERITAGE PROGRAM**. **EXHIBIT(fcs66a02)**

SEN. NELSON stated the description of the Ag Heritage program was on C-97. The primary use of the fund was for grants and contracts to develop and fund the purchase of agricultural conservation easements. She said it was a good program but there was no money left in it. It was a new program and in the last session they asked for \$4 million. In conference committee on HB 2, she was able to get \$1 million for the program. There was \$1 million in the **Racicot** budget and the **Martz** budget cut that to \$400,000. She felt the money left in the program was not worthy of continuing and they needed to find another source.

SEN. BILL TASH opposed the amendment, and felt the program should be funded at the \$400,000 level proposed in the **Martz** budget.

{Tape : 1; Side : B} **SEN. BILL TASH** explained that it was a program to encourage open space and a tool for agricultural landowners to stay on the land by exercising conservation easements. The money that the state puts up triggers about a 7 to 1 match from non-profit entities.

SEN. TOM BECK supported the amendment. He felt that with the amount of money only 5 or 6 ranches could take advantage of the program. Some of the easements could cost anywhere from \$300-\$500,000. He encouraged the program to find other funds and he wanted to protect the general fund.

SEN. CHRIS CHRISTIAENS echoed support for the amendment. He felt it was better to eliminate programs than under-fund them.

SEN. JON TESTER felt it was a good program, but the minimal funding would benefit a minimal number of people.

Vote: Motion that **HB000227.agh BE ADOPTED** carried 17-1 with Tash voting no. **EXHIBIT(fcs66a03)**

Curt Chisholm, Deputy Director, Department of Environmental Quality (DEQ), explained amendment **HB000225.agh EXHIBIT(fcs66a04)** which would appropriate \$540,000 from state special revenue funds transferred from the Resource Indemnity Trust (RIT) from funds in excess of the \$100 million cap. The department was trying to raise \$1 million with which to buy a federal debt security whose par value would be worth about \$2.7 million in 2017. In 1993, the Department of Health sued the Pegasus Mining Company for violations of the Water Quality Act at the Zortman-Landusky mine. In 1995, that suit was moved into federal court. EPA, DEQ, an environmental group and the Fort Belknap Tribe collectively sued Pegasus Gold for violations of the water quality act. In 1996, all parties entered into a consent agreement whereby Pegasus Gold would provide immediate water treatment and bond for that water treatment during the life of the mine and provide for long term water treatment by bonding for a trust fund that would be available in the year 2017. The trust fund would hypothetically last for 101 years beyond 2017 to provide water treatment at the reclaimed mine site. Pegasus Gold filed for Chapter 11 bankruptcy in 1998 and DEQ is treating the water through contractors with bond proceeds from the water treatment bond that was provided to the department to last until 2017. In 2017, long term water treatment would need to kick in. The agreement between all the parties and Pegasus Gold was that they would buy federal securities for about 5 years whose par value would be \$15 million in 2017. Four of those five securities were purchased and the fifth one wasn't, so it was up to the department to purchase the final par value federal security whose par value would be about \$2.7 million to complete the long term water trust of \$15 million. He testified that HB 7 contains a \$300,000 grant to go against the \$1 million purchase. Additionally, there is \$160,000 invested with the Board of Investments from leftover bond proceeds from the matter. So there was \$460,000 against the needed \$1 million. The need is for the \$540,000 appropriation in order to buy the federal security. He clarified that in the narrative explanation on the amendment, that stated "this appropriation is the last expected to complete the state funding package for the former Zortman and Landusky mines" should read "the last package to complete the water treatment trust for the Zortman/Landusky mine" and does not necessarily complete and tie

up all the loose ends relative to the state obligation at the mine site.

CHAIRMAN BOB KEENAN asked for clarification of the RIT cap. **Mr. Chisholm** understood that after the bond proceeds reach \$100 million, there was contingency language in the statute that directs any future proceeds for the fund to go to other accounts.

Gary Hamel, Legislative Fiscal Division, testified that before the RIT reaches \$100 million, 50 percent of the RIGWA tax goes into the Resource Indemnity Trust. After the RIT reaches \$100 million, the 50 percent no longer goes into that trust. At the end of FY 2003 there was expected to be \$101,056,874. The amount above \$100 million would be available for the legislature to appropriate. The \$540,000 would come from the remainder in the trust above the \$100 million.

SEN. BECK asked **Mr. Chisholm** why the matter was in HB 2 and not HB 7. **Mr. Chisholm** said the issue was discussed in HB 7 and the Long Range Building Program Committee approved a \$300,000 grant that would go against the \$1 million needed to purchase the bond. In addition, there was the \$160,000 in short term investments and the additional \$540,000 was needed. **SEN. BECK** thought it might be cleaner in HB 7.

SEN. COREY STAPLETON asked about the original intent of the trust and tapping the funds for other uses. He was opposed to the amendment to be consistent.

SEN. BECK stated that most of the money was meant for reclamation, which was what **Mr. Chisholm** was trying to do with water quality at Zortman/Landusky. He favored keeping the trust for that purpose. **SEN. STAPLETON** again referred to the subcommittee process and the fairness issue. **SEN. BECK** said he had a good point. He said the RIT should have capped a couple of years ago and the money was subverted before going to the trust account.

SEN. NELSON told **Mr. Chisholm** that she did not remember the issue being brought up in subcommittee. **Mr. Chisholm** said the subcommittee was informed that DEQ would seek an appropriation without asking for general fund. At that time, they had not identified a funding source.

SEN. DEBBIE SHEA stated support for the amendment.

SEN. BILL CRISMORE recalled the discussion in subcommittee where it was agreed that the issue would be addressed later.

SEN. CHRISTIAENS asked **Curt Chisholm** about the purpose of the language "up to". **Mr. Chisholm** said it was not their language. **Mr. Hamel** explained the language was in the event that there was not a balance of \$540,000 left in the trust. **SEN. CHRISTIAENS** asked if there was an alternative plan. **Mr. Hamel** said the amendment just addressed the RIT trust balance.

SEN. BECK thought the RIT would be capped by the end of the year or certainly the end of the biennium. He asked **Mr. Chisholm** what the plans were if the money was not there. **Mr. Chisholm** indicated that if the money wasn't there, a federal security would be purchased for whatever par value was obtainable with the money available. He could not be sure the \$1 million would yield the \$2.7 par value, but a good faith obligation needed to be made.

SEN. BEA MCCARTHY asked if the other sources did not come together, the department would buy what they could. **Mr. Chisholm** affirmed that they would buy what they could with the money they had and at whatever par value they could get. They hoped to purchase a bond that would be worth \$2.7 million and the trust would be secured at \$15 million. He felt the other funding sources were secure. **SEN. MCCARTHY** asked what date the money was needed. **Mr. Chisholm** indicated as soon as possible. If delayed, the purchasing power was reduced.

SEN. MIGNON WATERMAN expressed a concern that the money should all be appropriated in HB 7.

SEN. JOHNSON asked why not buy a bond with the \$160,000 rather than waiting. **Mr. Chisholm** declared they would purchase bonds or securities through the Board of Investments with the money they had.

{Tape : 2; Side : A}

Upon questioning by **SEN. TESTER**, **Mr. Chisholm** advised that the investment would be toward the long term treatment trust. **SEN. TESTER** asked if the state had any investment in the long term treatment trust other than the \$1 million. **Mr. Chisholm** said all the securities had been paid either by Pegasus Gold or their surety company. **SEN. TESTER** asked how much in state dollars would be needed to reclaim the mine. **Mr. Chisholm** indicated they were holding about \$31 million worth of bond revenue from the surety company. In addition, the fund for the current water treatment was worth about \$14 million. The long term treatment trust would be worth about \$15 million. BLM is assisting with funding shortfalls of about \$500,000. An additional supplemental EIS would indicate about \$8 million short in reclamation bonds.

SEN. COBB asked about the \$8 million. **Mr. Chisholm** said they were \$8 million short on completing the EIS relative to what probably should be done, but they were not in violation of the metal mine reclamation act. **SEN. COBB** asked for the amount of the shortage. **Mr. Chisholm** replied it was \$6 to \$8 million.

SEN. KEN MILLER asked for clarification of where the \$160,000 came from. **Mr. Chisholm** replied that the \$160,000 was a result of negotiation with the surety company. He corrected that the total deficit at Zortman/Landusky was closer to \$20 to \$23 million. **SEN. MILLER** asked **Mr. Chisholm** to clarify that general fund was not involved and if the money came from reclamation taxes and bonding. **Mr. Chisholm** indicated that was correct. **SEN. MILLER** then asked about the capping of the RIT. **Mr. Hamel** explained that after the trust reaches \$100 million, some goes into the Ground Water Assessment Account, 50 percent goes into the RIT Trust and then into Reclamation and Development and Orphan Share.

Vote: Motion that **HB000225.agh** BE ADOPTED carried 11-7 with **Johnson, Keenan, Miller, Mohl, Stapleton, Waterman, and Wells** voting no.

Motion: **SEN. COBB** moved **HB000226.aty**. **EXHIBIT(fcs66a05)**

Andy Poole, Department of Commerce, explained the amendment provided for utilization of the bed tax for the Lewis and Clark Bicentennial promotion in an agreement between the Department of Commerce and the Montana Historical Society.

SEN. GREG JERGESON asked if the amendment secured the assumptions made in the Education Committee with respect to funding the Bicentennial activities. **Mr. Poole** indicated it was a necessary component.

SEN. TASH said it was a clarification amendment that clarified where the money comes from to pay for tours and protection of pieces at the historical society.

SEN. JOHNSON asked **Mr. Poole** for the total amount of state spending over the next biennium on the Bicentennial as opposed to what was being spent in the current biennium. **Mr. Poole** indicated it was not part of the Department of Commerce budget.

SEN. WATERMAN asked if the issue was considered by the subcommittee and why it was before the committee. **Todd Younkin, Legislative Fiscal Division**, replied that the amendment was at

the request of the budget office. The language was addressed in subcommittee on pages C-20 and C-139.

SEN. BEA MCCARTHY asked why amendments for Section C and Section E were drafted together. **Mr. Younkin** said they were drafted together because the language was the same in Section C and Section E and the language had to be changed in both sections.

SEN. TASH considered it appropriate that some is funded from education. He also stressed the importance of protecting the Scriver collection.

SEN. MCCARTHY advised segregating the two amendments. **SEN. COBB** withdrew his motion.

Motion: **SEN. COBB** moved **HB000226.aty #1, #2, AND #3 BE ADOPTED.**

SEN. WATERMAN noticed the narrative on page C-139 mentioned a curator and wondered if that would be an added FTE. **Mr. Younkin** said all the language did was provide additional bed tax money for the Historical Society to use and didn't specifically authorize an FTE. **Beckie Graham, OBPP**, clarified a .5 FTE would be added.

SEN. CHRISTIAENS asked about the plan for the Scriver collection. **Arnie Olsen, Director Historical Society**, explained the funds were for storing, cataloging, and preparing the collection for the exhibit.

SEN. WELLS asked about the \$75,000 for historical interpretation. **Mr. Olsen** replied that #1 of the amendment covered action that was done in subcommittee where general fund was switched for bed tax. Items #2 and #3 were previously funded by the Department of Commerce but never shown in HB 2. Item #3 would fund the tours of the Capitol, Historical Society Museum and Original Governor's mansion. He said those were always funded but hadn't appeared in HB 2 and there was no increase from what was previously funded.

CHAIRMAN KEENAN asked if it was a technical amendment. **Mr. Younkin** said the amendment only changed language to intent of the legislature language. The amendments could be segregated but if language was changed it would need to be changed in both Section C and Section E.

SEN. TOM ZOOK asked about the rationale for having it in both sections. **Mr. Younkin** said the issue was discussed, and it was decided that since substantive law cannot be put in HB 2 and the bed tax cannot be appropriated in HB 2, all that could be shown

was intent. **SEN. ZOOK** asked why it was necessary to be repetitious. **Mr. Younkin** said it could be taken out of one section and have the same effect.

SEN. JERGESON felt it was a good idea to coordinate the language in both sections.

Vote: Motion that **HB000226.aty** BE ADOPTED carried unanimously.

Motion: **SEN. JOHNSON** moved that **HB000229.atp** BE ADOPTED.

EXHIBIT(fcs66a06)

SEN. JOHNSON explained the amendment would appropriate \$38,000 of general fund in FY 2003 to pay debt service on a reimbursement of \$300,000 to the Montana Science Institute for improvements made by that organization to the infrastructure of state buildings. He detailed the public educational and research opportunities at the institute at Canyon Ferry lake. The buildings are owned by the state and it was another situation where the state does not have enough money to maintain the buildings. The land is owned by the BLM. The institute spent their reserve fund of \$300,000 for maintenance. **{Tape : 2; Side : B}**

SEN CHRISTIAENS asked why it was not funded in the Long Range Subcommittee. **SEN. BECK** did not recall and asked if it was a one-time expenditure. **SEN. JOHNSON** said they would like to make that a statutory expenditure but they needed to get started on the program.

SEN. WATERMAN said it had been a good program and that when there was an algae outbreak at Canyon Ferry, students doing research at the institute were among the first to identify the problem.

CHAIRMAN KEENAN asked if **SEN. JOHNSON** would consider adding restrictive language of one-time only. **SEN. JOHNSON** considered that to be reasonable.

Motion/Vote: **SEN. KEENAN** moved a **SUBSTITUTE MOTION TO INCLUDE ONE-TIME ONLY TO RESTRICT HB000229.ATP** BE ADOPTED. Motion carried 14-4 with Keenan, Miller, Mohl, and Wells voting no.

Motion: **SEN. CRISMORE** moved **HB000227.aty** BE ADOPTED.

EXHIBIT(fcs66a07)

SEN. CRISMORE explained that the amendment was to help the Department of Commerce move into the Federal Building. **Mr. Poole** said the amendment would allow the department to consolidate all the programs of the department except for the Board of

Investments and the Lottery in one location over the biennium. They believed the move was good for management and efficiency. Programs from DNRC that would be moving into the department's current location would be general fund programs resulting in a cost savings to the state. The net effect of the amendment would be about \$14,000 per year savings to the general fund. He indicated that if the committee did not pass the amendment with the additional general fund, two departments would still have to move into the Federal Building. Their current lease in a building in the Great Northern Town Center will run out in 2002 and the building will be torn down. They would need the authority to move those two programs.

SEN. COBB asked about SB 445. **Mr. Poole** said if SB 445 passes, all programs would be moving. The Consumer Affairs Office might go to the Department of Justice.

SEN. MILLER asked if the subcommittee did not look favorably upon the issue. **Mr. Poole** said that the department was not able to provide the net effect on the general fund to the subcommittee.

Vote: Motion that HB000227.aty BE ADOPTED failed 15-3 with Christiaens, Crismore, and Jergeson voting aye.

Motion/Vote: SEN. COBB moved to RESTORE THE 1% REDUCTION TO DEQ THAT WAS REDUCED BY AN AMENDMENT BY REP. DAVE KASTEN.

SEN. BECK inquired if it was all general fund. **SEN. COBB** replied that everything else had been restored and it was to restore the general fund portion, \$21,608 in FY 2002 and \$21,683 in FY 2003.

Vote: Motion TO RESTORE 1% REDUCTION failed 14-4 with Cobb, Jergeson, McCarthy, and Shea voting aye.

Motion: SEN. WATERMAN moved TO APPROVE THE NON-GENERAL FUND TRANSFERS IN HB000227.aty. **EXHIBIT**(fcs66a08)

CHAIRMAN KEENAN clarified the vote would be on the state special and federal portion.

Vote: Motion that HB000227.aty REMOVING THE GENERAL FUND PORTIONS BE ADOPTED carried 15-3 with Cobb, Miller, Mohl voting no.

Motion: SEN. COBB moved TO RESTORE 1% FTE GENERAL FUND REDUCTION TO DNRC REMOVED BY THE AMENDMENT IN HOUSE APPROPRIATIONS COMMITTEE BY REP. KASTEN.

SEN. COBB advised the cost would be \$107,169 general fund the first year, and \$107,543 the second year.

Motion failed on a voice vote.

Motion: SEN. COBB moved TO RESTORE 1/2% FTE GENERAL FUND REDUCTION TO DNRC REMOVED BY THE AMENDMENT IN HOUSE APPROPRIATIONS COMMITTEE BY REP. KASTEN.

Motion failed on a voice vote.

Motion/Vote: SEN. COBB moved TO CLOSE SECTION C. Motion carried 17-1 with Cobb voting no.

-break 9:45-

-reconvene 10:00-

SECTION D

REP. STANLEY FISHER, HD 75, Bigfork, reminded the committee that the numbers in Section D did not reflect the actions of the committee from the previous day. **CHAIRMAN KEENAN** detailed the net effect of previous actions.

REP. FISHER, representing the House Public Safety and Corrections and Subcommittee, reviewed the budgets of six departments including the Board of Crime Control, Military Affairs, Department of Justice, Labor and Industry, Department of Corrections, and Public Service Commission. The total budget for the six departments was \$461 million or about 7.8 percent of the state's annual budget when the funds from all sources are considered. The two largest budgets were the Department of Justice and the Department of Corrections.

{Tape : 3; Side : A}

He advised the Project Challenge program and the state scholarship program in the Military Affairs budget were one-time only and so appeared as new money. **SEN. COBB** asked the reason to make Project Challenge one-time only again. **REP. FISHER** cited a great deal of support for the program and a great deal of non-support. He said it was the first year of the program at full tilt and the committee thought it wise for a one-time only in the new budget.

SEN. COBB asked if the Displaced Homemakers program in the Department of Labor and Industry was taken out in **REP. FISHER's** committee or by recommendation of the administration. **REP. FISHER** recounted that it had been taken out by the committee.

Each department listed 15 percent of jobs that could be cut if necessary. Committee members were not familiar with the program and were informed there was not much activity in the program and that no FTE was assigned to administer the fund.

SEN. CHRISTIAENS asked what amendments occurred in the House regarding the Department of Corrections. He asked about an amendment that required a savings of \$4 million from the Department of Corrections with the establishment of chemical dependency treatment at the X building. Without a bill that allowed that to proceed, money might have to be put back in.

REP. FISHER affirmed that the \$4 million was for the DUI center. The decrease was to come from the transfer of contract beds for the amount of \$1.7 million. There was \$245,000 to reduce Corrections for 5 beds in Butte and \$149,000 for pre-release beds elsewhere. There was also an amendment added that if the DUI unit did not pass, that the cuts remain.

SEN. WATERMAN asked about the National Guard Scholarship Program and what those funds were used for. **REP. FISHER** related that the Guard asked for \$250,000 in the last biennium to enhance recruitment and retention with scholarships. The new request was for \$350,000, the **Martz** budget removed \$50,000 and the subcommittee took out the another \$50,000. **SEN. WATERMAN** asked if all of the funds were utilized in the last biennium. **REP. FISHER** advised they had spent \$168,000 which enabled them to retain their strength. **SEN. WATERMAN** asked why the committee funded \$250,000 if only \$168,000 was expended. **REP. FISHER** said the \$168,000 was through the first part of the year and the department felt they would expend the rest of the funds. **SEN. WATERMAN** asked what would happen to unexpended funds and **REP. FISHER** said the funds would revert.

SEN. CHRISTIAENS asked **Attorney General Mike McGrath** for an opinion of the utilization of scholarship funds for private school students. It was **SEN. CHRISTIAENS** opinion that the scholarship went to the student not the school, so scholarship funds should be available to students that live in Great Falls and Helena, the two largest communities where there are Guard units. If that was not the case, he would consider removing all the funding due to disparent treatment. **Attorney General McGrath** advised the issue had come up. He understood that as long as the scholarship goes to the student, it wasn't considered parochial aid. **SEN. CHRISTIAENS** asked **General Gene Prendergast** for assurance that a student at Carroll College would be eligible and would be receiving that funding. **General Prendergast, Director of the Department of Military Affairs**, indicated that if the Attorney General agreed with the Major General it sounded like

that would be possible. **SEN. CHRISTIAENS** said he would ask for an amendment to make sure it was in language in HB 2, otherwise it was not right to offer scholarships to anyone.

SEN. WATERMAN asked for the total amount of FTE for Project Challenge. **REP. FISHER** informed her there were 43 FTE's and that 50 percent of the budget was for salaries. He said most school districts ran between 75 and 80 percent of their budgets for salaries. Project Challenge was a 24/7 operation. **SEN. WATERMAN** commented that was not a bad ratio with 100 students.

SEN. JOHNSON asked about the increase in the universal access program. **Susan Good, PSC**, explained that \$683,000 of the \$900,000 increase was for universal access and was not used by the PSC; it was a pass-through. She advised energy was a big issue and the PSC would have a role. The PSC would need tools and resources. She contended they had outstanding talent at the PSC that needed to be retained at a critical time. She said there would be no general fund impact; the money came from the regulated utilities. She found that for every \$100,000 the cost to the electrical consumer of Montana Power was 7 cents per year. She reported that **Gary Feland, Chairman Public Service Commission**, recognized that the spending authority was needed, but any of the funds that were not expended would revert. Three amendments would be introduced dealing with pipeline safety, travel and \$350,000 in increased salaries over the biennium to hire at least one new attorney and some economists and rate analysts.

SEN. JOHNSON said he did not understand the universal access program. **Mr. Wayne Budt, PSC**, stated the universal access program was set up by the legislature and funded by the telecommunications companies. The money was put into a fund administered by the PSC to assist rural school libraries in funding internet access. In the last session, it was a language amendment and this session it was decided that it should be part of the budget. The money is not spent at PSC; it is applied for by the schools and libraries and funded through a formula that includes federal funds. **SEN. JOHNSON** asked how much is funded by the federal government. **Mr. Budt** thought the federal government was funding the bulk of it. When the legislature passed the bill, the federal government had not decided the issue yet. Initially, there was \$750,000 collected over a two year period and he reported the current balance to be \$683,000. Not much was spent as the federal discount came in higher than was guessed. **SEN. JOHNSON** asked if the program was no longer in effect. **Mr. Budt** said the program was still in effect, but there was no longer an assessment on the phone company and money no longer is flowing into the account.

SEN. JOHNSON asked about the status of the dial-up program. **REP. FISHER** said the subcommittee asked about that and \$75,000 was taken out of the budget for telephone calls. There was trouble getting the boards for installation. The additional phone money was needed because when they put the system in, they did not anticipate the \$135,000 in long distance phone calls necessary to collect the information. **SEN. JOHNSON** thought the phone bank was to be paid for by the establishment. **REP. FISHER** said that did not come up. {Tape : 3; Side : B} **Gene Huntington, Department of Justice**, stated that in the development of the dial-up system, not included in the contract was money to poll the machines each night to collect the data. The state will have to pay for that after the program is up and running. It was realized that the state had better rates than the contractor and that amount was reduced. **SEN. JOHNSON** asked about the status of the system. **Mr. Huntington** related that in the initial request for proposals, they did not receive proposals. They went for another round and ended up negotiating with a contractor. That put the program behind schedule. Signing up people to volunteer for the system was quite successful. The delivery of the system from the contractor has been slow, but they hope to receive the initial parts of the communication system within the month.

SEN. COBB asked the **Adjutant General** about recruitment of students from out of state for the Project Challenge program. **Adjutant General John Prendergast, Department of Military Affairs**, maintained that the program is directed only for kids in Montana. 500 students originally signed up for the program. One individual was living with his aunt and uncle in Montana and was allowed to be in the program. **SEN. COBB** asked if there were goals or benchmarks for the program. **Mr. Prendergast** affirmed that there were measurements at the federal and state level and they would be pleased to share that information.

SEN. MILLER asked **Susan Good** how 7 cents could raise \$100,000. **Ms. Good** stated she had asked how much the PSC costs the average consumer and found out that the 7 cents assessment raised \$100,000. She didn't know how the calculation was made.

Motion: **SEN. WATERMAN** moved that **HB000202.agp** BE ADOPTED.
EXHIBIT(fcs66a09)

SEN. WATERMAN reported that the amendment restricts any general fund in the Project Challenge program to Montana residents. She thought it an excellent program that was costing about \$20,000 per graduate. Because Montana pays a lot for the program, it needed to be for Montana students. It was not yet clear whether federal funds could be restricted.

SEN. TASH supported general residency criteria.

Vote: Motion that **HB000202.agp** BE ADOPTED carried unanimously.

Motion: **SEN. COBB** moved **TO ELIMINATE THE PROJECT CHALLENGE PROGRAM DP-201.**

SEN. COBB said his concern was that the 1.1 million general fund each year would be better spent on taking care of kids who are being abused before they end up in the corrections program.

SEN. STAPLETON wanted to know more about the program.

Maj. Gen. Prendergast asked **Mike Royer, Director, Project Challenge**, to comment. **Mr. Royer** explained the program was a national program since 1993. The program was designed for at risk youth in a 5 month residential program dealing with 8 components in a whole person concept. The majority of the youth have problems with the law or drug use and the program is voluntary. The program is designed for 200 kids per year and after the residential phase, a mentor program is used. He claimed an 80 percent success rate after a year. There is less than a 1 percent rate of incarceration of participants. **SEN. STAPLETON** asked if the students were in high school. **Mr. Royer** replied that the students are high school dropouts. **SEN. STAPLETON** asked about the cost per child. **Mr. Royer** claimed the cost was \$14,000 per youth with the state share being \$5600.

SEN. TASH opposed the amendment. He said many families are dysfunctional and youth lack discipline. His concern was with youth ending up in the prison system at a high cost.

SEN. CHRISTIAENS was concerned about the plan for aftercare and the mentoring program. **Mr. Royer** acknowledged they needed to work on the mentoring program and contended a tangible plan was in place. They have been able to move resources and staff into that area. **SEN. CHRISTIAENS** indicated the program began with a 75/25 match which changed to a 60/40, a greater cost to the general fund. He asked when the state would pick up the entire program. **Mr. Royer** advised the program was introduced at a 70/30 match and was designed to cap at a maximum of 60/40. There were discussions at the federal level on rolling back to a 25 percent state share. **SEN. CHRISTIAENS** asked what it would do if the state decreased the amount of general fund to the program. **Mr. Royer** declared that every dollar lost from the state general fund would have a disproportionate effect on the federal side. He said the program budget was designed with 1994 numbers and with no cost of living increase, any additional reduction would make

it difficult to maintain the 100 bed program. **SEN. CHRISTIAENS** asked how the program was funded last session and for every source of funding over the last biennium. He indicated a shortfall was covered by the governor's discretionary funds and he wanted to make sure the program was funded entirely from general fund rather than the program finding additional funds that the legislature knew nothing about. **Mr. Royer** advised the issue had been discussed in subcommittee and the intent was to ask for the full funding amount and there would be no need to seek additional funds. **SEN. CHRISTIAENS** repeated that he wanted to know what the sources of funding were in the last biennium. **Mr. Royer** replied that their funding was approximately \$200,000 short of the requested amount of \$1.8 million. The shortfall did come out of the governor's discretionary fund, specifically the workforce investment funds.

SEN. SHEA agreed the program needed to be funded from the general fund and she had a problem with the use of the governor's discretionary. She reasoned that the program was a young program but benefits could already be seen. She supported the program and felt it was a success.

SEN. ZOOK thought it was a great program that already had shown success. He thought it unwise to drop something overnight that had just been started. He realized there were hard feelings over the last minute funding of the program in the last session and many in the legislature did not know the program would be coming forward. If the program had continued success, it would save other costs down the road. He resisted the amendment.

SEN. NELSON acknowledged the resentment from the last minute action of the conference committee to fund the program in the last session. She felt it unfortunate that the program did not go through the regular hearing process. She thought it was probably an excellent program, but very expensive and she was not sure the state could afford it. She noted the program was voluntary and asked how many participants leave and at what point were they allowed to leave. **Mr. Royer** acknowledged it was a voluntary program and students could leave at any time. **SEN. NELSON** asked how many leave. **Mr. Royer** stated roughly 25 to 30 percent of the youth do not graduate from the program. **SEN. NELSON** asked if the positions were immediately filled, or if the space was left vacant. **Mr. Royer** said they do not backfill as the program was designed for a comprehensive start to finish. **SEN. NELSON** asked about mentors. **Mr. Royer** indicated that the mentors were volunteers with stringent requirements.

SEN. WATERMAN advised that in the first class, there were 120 that enrolled and 43 who graduated, and in the second class there

were 153 who enrolled and 91 who graduated. In the third class there were 134 who enrolled and 83 who graduated. The cost per graduate was \$19,354. **{Tape : 4; Side : A}** She felt with the cost per graduate, there should be an extremely high graduation rate. She clarified that in conference committee, the money was taken from nursing homes to fund the program. It was originally in **Governor Racicot's** EPP process. It was proposed by the National Guard. The governor chose not to advance it in his budget. She had read of the program with interest and would have introduced a bill. She was told by the Legislative Council that because the governor was not sending it through his EPP process, that the guard was not going to pursue it. The National Guard, the governor and the budget office were aware of the program before the session and chose not to put in into the process.

SEN. COBB stated his concern was the cost per student. He said the program doesn't take the worst kids, and the money would be better spent to try to save younger kids earlier.

Vote: Motion **TO ELIMINATE THE PROJECT CHALLENGE PROGRAM. Failed 2-16 with Cobb and Nelson voting aye.**

PUBLIC SERVICE COMMISSION

Motion: **SEN. COBB** moved **HB000238.alt. EXHIBIT(fcs66a10)**

The amendment was for additional travel funds to provide training for two new commissioners and other staff.

Vote: Motion that **HB000238.alt BE ADOPTED failed 9-9 with Beck, Christiaens, Cobb, Keenan, McCarthy, Shea, Stapleton, Tester, and Waterman voting aye.**

Motion: **SEN. COBB** moved that **HB000239.alt BE ADOPTED. EXHIBIT(fcs66a11)**

Wayne Budt, PSC, advised the amendment was a request for additional personal services funds. Part of the request was already put back by global amendment, so the amendment would be limited to the request for personal services to fund a reorganization and reclassification of positions.

SEN. ZOOK wanted assurance that the money would not be used for buy-outs. **Mr. Budt** assured him that the money would be used for the stated purpose.

Vote: Motion that HB000239.ALT BE ADOPTED failed 9-9 with Beck, Christiaens, Cobb, Crismore, Jergeson, McCarthy, Shea, Waterman, and Zook voting aye.

Motion: SEN. COBB moved that HB000240.alt BE ADOPTED.
EXHIBIT(fcs66a12)

The amendment revised pipeline safety program funding.

Vote: Motion HB000228.aty carried unanimously.

DEPARTMENT OF LABOR AND INDUSTRY

Motion: SEN. KEENAN moved that HB000228.aty BE ADOPTED.
EXHIBIT(fcs66a13)

Jerry Keck, Employment Relations Division, Department of Labor and Industry, advised the amendment would add 2 FTE paid for by state special revenue. One position would regulate employee leasing organizations and one would audit Independent Contractor Exemptions.

Vote: Motion that HB000228.aty BE ADOPTED failed 6-12 with Cobb, Crismore, Keenan, Miller, Stapleton, and Wells voting aye.

Motion: SEN. JOHNSON moved that HB000229.aty BE ADOPTED.
EXHIBIT(fcs66a14)

The amendment increased federal special revenue for the On-Site Safety Program and the Human Rights Program. **SEN. JOHNSON** urged support for the amendment citing a recent increase in the base grant from the US Department of Labor Occupation Health and Safety Organization.

SEN. STAPLETON resisted the amendment saying the requests were not supported in subcommittee.

SEN. ZOOK reported he became aware after subcommittee of the benefits of the program which was a reason he would support the amendment.

SEN. CHRISTIAENS agreed that information was received after the subcommittee work was complete and he would support the amendment.

SEN. WATERMAN asked about former **REP. HIBBARD's** work on human rights cases. **Mr. Keck** informed her that was part of HR 10 and

involved a whole range of employment related disputes including human rights.

Vote: Motion that HB000229.aty BE ADOPTED carried 16-2 with Miller and Stapleton voting no.

Motion: SEN. SHEA moved that HB000230.aty BE ADOPTED.
EXHIBIT(fcs66a15)

SEN. SHEA passed out an informational sheet on the Displaced Homemaker's Program and stated the program had been in existence since 1984 and had been a success story. **EXHIBIT(fcs66a16)** When the subcommittee heard the budget, the program was eliminated without much knowledge of the program by the subcommittee members. She asked for support for the amendment.

SEN. WATERMAN asserted that 94 individuals were placed in unsubsidized employment in the last program year. She thought if it weren't for the program, those individuals would cost more on the welfare rolls.

SEN. CHRISTIAENS remembered when the program began and was funded with a \$25 fee from divorce actions. He made the motion in subcommittee to remove it, because at that point they were looking at apprenticeship programs or displaced homemakers. He felt there were other places for that funding but had since found that was not the case. He urged the committee to adopt the amendment because earnings and taxes paid by individuals in unsubsidized employment would more than offset the cost to the general fund.

Vote: Motion that HB000230.aty BE ADOPTED carried 16-2 with Mohl and Wells voting no.

DEPARTMENT OF JUSTICE

Motion: SEN. CHRISTIAENS moved that HB000249.alt BE ADOPTED.
EXHIBIT(fcs66a17)

The amendment would provide a .5 FTE Forensic Scientist to provide support on the backlog of methamphetamine cases. SEN. CHRISTIAENS thought the position was extremely important if cases were to be prosecuted in a timely manner.

SEN. STAPLETON resisted the amendment citing the additional spending from the general fund with every amendment that was passed.

SEN. CHRISTIAENS contended it was a small amount of money to be paying for prosecution purposes.

Vote: Motion HB000249.alt failed 9-9 with Christiaens, Cobb, Jergeson, Johnson, McCarthy, Nelson, Shea, Tester, and Waterman voting aye.

Motion: SEN. CHRISTIAENS moved that HB000250.alt BE ADOPTED.

EXHIBIT(fcs66a18)

SEN. CHRISTIAENS explained the amendment was for travel in the Legal Services Division and the Law Enforcement Academy.

Vote: Motion HB000250.ALT failed 7-11 with Christiaens, Cobb, Jergeson, McCarthy, Nelson, Shea, and Waterman voting aye.

Motion: SEN. COBB moved that HB000248.alt BE ADOPTED.

EXHIBIT(fcs66a19)

The amendment to cut FTE by 1 percent included County Attorneys in the Department of Justice. Because County Attorneys are elected officials, the amendment would restore the general fund for that portion of the reductions.

Vote: Motion HB000248.alt failed 8-10 with Christiaens, Cobb, Jergeson, McCarthy, Nelson, Shea, Tester, and Waterman voting aye.

DEPARTMENT OF MILITARY AFFAIRS

Motion: SEN. CHRISTIAENS moved HB000230.atp. **EXHIBIT**(fcs66a20)

SEN. CHRISTIAENS indicated that Greg Petesch said the National Guard Scholarship Program would be an indirect appropriation and the majority of Guard's people in Great Falls and Helena would be exempt from it. The amendment eliminated all funding for the program.

DEPARTMENT OF CORRECTIONS

Vote: Motion that HB000230.ATP BE ADOPTED passed 12-4 with Jergeson, McCarthy, Shea, and Wells voting no.

{Tape : 4; Side : B}

Motion: SEN. COBB moved that HB000236.alt BE ADOPTED.

EXHIBIT(fcs66a21)

The amendment would provide Hepatitis A and B immunizations and treatment for Hepatitis C to the prison population. **SEN. COBB** said it would provide a tracking mechanism.

SEN. CHRISTIAENS spoke in favor of the motion citing the critical situation in the prison and the deaths of 11 people who were on probation. He said it was a health issue affecting everyone with the potential for an epidemic.

SEN. WATERMAN was concerned about liability. **Sally Johnson, Professional Services Administrator, Department of Corrections,** clarified the 11 deaths were not people who were on probation, but were out of the Native American populations, one of which had recently passed through the system. The immunizations were designed to protect those with Hepatitis C from seriously deteriorating by contracting Hepatitis A or B. The Public Health System provides those immunizations to those on Medicaid and she felt the need to provide them to the inmates. She indicated that the outside medical budget was at the 2000 level with no increase and the duty to provide additional treatments. She affirmed the ability for tracking. She stated there was no money for treatment, but they would do all they could with outside medical for people that met the criteria.

Vote: Motion **HB000235.ALT** carried 16-2 with Johnson and Waterman voting no.

Motion: **SEN. CHRISTIAENS** moved that **HB000237.alt** BE ADOPTED.
EXHIBIT (fcs66a22)

The amendment would require the department to designate one individual to serve as a liaison between the Montana Tribes and the DOC. He advised American Indians were 18 percent in the men's prison and up to 40 percent in the women's prison. The amendment did not cost any additional funds.

Vote: Motion that **HB000237.alt** BE ADOPTED carried 16-2 with Stapleton and Wells voting no.

Motion: **SEN. SHEA** moved that **HB000245.alt** BE ADOPTED.
EXHIBIT (fcs66a23)

The amendments were for the Board of Crime Control Budget, one making federal grants biennial and the second is a new federal appropriation for the Computer Crime Division.

SEN. CHRISTIAENS questioned the correctness of figures in the amendment. **Ms. Thorson** advised the general appropriation line

was reduced and put in line items with a biennial appropriation for federal grants.

Vote: Motion that **HB000245.alt BE ADOPTED** carried unanimously.

Motion: **SEN. CHRISTIAENS** moved that **HB000246.alt BE ADOPTED.**
EXHIBIT (fcs66a24)

The amendment would reduce general fund in secure facilities by \$100,000 each year by utilizing telemedicine technology and from less need for transporting offenders.

SEN. WATERMAN asked about the outside medical budget. **Ms. Johnson** advised the budget was frozen at the 2000 level and they would be spending more than was appropriated in 2001. She reported they had investigated telemedicine. She claimed there was not the economy of scale to make it work and to save money. They provide as many services as possible on site. Her concern was telemedicine would cost more, not save money.

SEN. COBB suggested moving \$200,000 over to Hepatitis C and if it didn't work they could move it back over. **SEN. CHRISTIAENS** said he would not object to a substitute motion. He claimed telemedicine was being used in many communities. He thought there was room to at least look at it. He said there was a grant out that would be coming to Deer Lodge and Warm Springs. He did not agree that the department would not save money if they don't transport.

SEN. ZOOK resisted the motion. He felt the new director had shown credibility throughout the session and would step forward and make the savings.

SEN. BECK hoped savings could be realized in the medical budget at MSP, but hoped it would be a reversion in the next year's budget. He agreed with **SEN. ZOOK**.

SEN. CHRISTIAENS said his intent was to utilize telemedicine to the fullest extent possible for savings, not to take \$100,000 out.

Ms. Thorson asked for clarification on the \$100,000 and whether it would just be a language appropriation.

Motion/Vote: **SEN. CHRISTIAENS** moved a **SUBSTITUTE MOTION FOR LANGUAGE THAT WOULD ENCOURAGE USING TELEMEDICINE AT EVERY OPPORTUNITY TO SAVE MONEY BE ADOPTED.** Motion carried unanimously.

Motion: SEN. BECK moved that HB000241.alt BE ADOPTED.
EXHIBIT (fcs66a25)

The amendment would provide funding for 8.0 modified FTE at MSP that were reduced by subcommittee action.

REP. FISHER clarified that the department reduced FTE from 31 to 23 as an economy measure.

SEN. BECK recalled the riot in 1990. One of the problems was using inmates for clerical work in the prison and the lack of confidentiality with the records somewhat helped create the riot. They eliminated the inmates from clerical duties and the FTE would be for those clerical positions.

Vote: Motion HB000241.alt failed 16-2 with Beck and Cobb voting aye.

Motion: SEN. COBB moved to RESTORE 1% TO THE DEPARTMENT OF CORRECTIONS BUDGET THAT WAS REMOVED BY THE KASTEN AMENDMENT.

Vote: Motion TO RESTORE 1 PERCENT TO DOC failed 14-4 with Cobb, McCarthy, Shea, and Waterman voting aye.

DEPARTMENT OF LABOR AND INDUSTRY

SEN. MILLER inquired if the Apprenticeship Training Program (Job Service Division) dollars were still in the budget. **REP. FISHER** related the subcommittee did not fund that program (D-5 line 19 in the bill). The program was funded at \$140,000 per year in general fund with a match from state special.

Motion: SEN. MILLER moved TO ELIMINATE FUNDING FOR THE APPRENTICESHIP PROGRAM.

SEN. MILLER cited the need for money and the fact that most employees were willing to incur the cost themselves.

SEN. CHRISTIAENS resisted the amendment. He thought it was counterproductive to economic development and also cited a shortage of electricians and plumbers. **SEN. MILLER** disagreed and acknowledged the important need for more apprentices. He felt the number of the ratio should be increased to get more people trained. He said the ratio was limiting the number entering the field. Part of the argument was the funding if more apprentices were allowed. He favored taking all the money away and letting the employers and employees pay for it. There would be more

apprentices if the ratio was increased, and the money could be used for K-12 education.

SEN. SHEA advised it was a major decision like eliminating the Displaced Homemakers Program. She thought it was a wonderful program and more information was needed.

SEN. WELLS requested the section be left open until after the recess and that **SEN. MILLER** get more information. **SEN. BECK** agreed.

REP. FISHER stated that the legislature needed to address the issue of the aftercare of youth. He also related that the Project Challenge program has a financial impact on MSU-Western of \$550,00 year in direct money either in rent or food service.

-recess 12:15 p.m.-

-reconvene 3:50 p.m.-

{Tape : 5; Side : A}

Motion: **SEN. MILLER** moved that **HB000231.aty** to eliminate all general fund from the Apprenticeship Program within the Department of Labor and Industry BE ADOPTED. **EXHIBIT (fcs66a26)**

SEN. MILLER advised his motive was tied to HB 497 which would allow more apprentices to be trained and changes the ratio for plumbers and electricians. The bill had a fiscal note, and he wanted to find some money. He did not feel the money in the program was evenly distributed and employers had assured the cost to them was not important compared to having enough apprentices, electricians and plumbers. He thought it was an area to save some money and offset the expenses in HB 497. He asked **Commissioner Foster** for his position on the Apprenticeship Program and HB 497.

Mike Foster, Commissioner, Department of Labor, stated no official position on HB 497, but it had been discussed and there was no opposition expressed. He advised the Apprenticeship Program was a successful program that had seen tremendous growth in the services provided while the funding had remained constant for 10 years. Courses and hours have both increased and the program has run out of dollars each year. He stated that small businesses in both rural Montana and larger cities would be adversely affected. He said industry was more willing to absorb some of the cost.

SEN. MILLER withdrew his motion. He spoke to the director and others in the department and thought a better way could be found to distribute the money. If HB 497 comes to the committee, the fiscal note would not have to be funded.

Motion: **SEN. WELLS** moved to **RECONSIDER ACTION ON HB000230.atp** that eliminated funding for the National Guard Scholarship Program.

He cited reasons to maintain funding.

SEN. BECK clarified that it would restore the funding at \$250,000, not the \$300,000 that was in the **Martz** budget. **SEN WELLS** affirmed that.

Vote: Motion **TO RECONSIDER ACTION** failed 7-9 with Jergeson, McCarthy, Shea, Stapleton, Tash, Tester, and Wells voting aye.

SEN. COBB commented to **Commissioner Foster** that every session fights over the Domestic Homemakers and the Apprenticeship Programs because they have no permanent funding source. He thought it would really help to find a permanent funding source by next session.

Motion/Vote: **SEN. COBB** moved **TO CLOSE SECTION D**. Motion carried unanimously.

Motion/Vote: **SEN. COBB** moved **TO REOPEN SECTION B FOR THE PURPOSE OF AMENDMENT HB000247.apg**. Motion carried unanimously. **EXHIBIT**(fcs66a27)

SEN. COBB advised it was a technical amendment to restore the general liability insurance rates.

Jon Moe, Legislative Fiscal Division, explained the amendment corrected a trans-positional error in the global amendment in state special revenue for DPHHS and the net affect was \$1,800.

Vote: Motion that **HB000247.apg BE ADOPTED** carried unanimously.

Motion/Vote: **SEN. COBB** moved **TO CLOSE SECTION B**. Motion carried unanimously.

SECTION E

REP. JOHN WITT, HD 89, Carter, Chairman of the House Committee on Education, handed out and explained a status sheet on Section E, **EXHIBIT**(fcs66a28) and advised a 7.1 percent increase in the

Section E budget. He gave a brief overview of the budget for each agency and subcommittee actions. **{Tape : 5; Side : B was not recorded}**

{Tape : 6; Side : A} (REP. WITT's overview continued.)

OPI

Linda McCulloch, State Superintendent of Schools, provided an overview of OPI and described the direction and goals of OPI. OPI provides services and support to public schools for school districts that do not have the resources to provide for themselves. Some of the primary state responsibilities are the accreditation of 900 schools, the distribution of over \$.5 billion per year in state and federal funds. They administer the largest state appropriation in Montana. The cost to do that is less than 1 percent. They certify 6500 teachers each year, supervise school budgeting, provide curriculum support, and provide technical assistance to schools and parents. Her priorities were adequately funding schools, keeping educational programs intact, keeping class sizes at a quality level, and that Montana students continue to learn at an even higher academic level. She would strive to work with the K-12 schools as well as higher education for a seamless K-16 system of education. She wanted to increase base aid to K-12 schools, and a school improvement plan that would include student assessment. Another proposal would be to reinstate 4 FTE to OPI that were cut. They requested annual funding for HB 528, now MCA 20-1-511, to recognize the cultural heritage of American Indians. She stated her focus would be the classroom and providing more resources and services.

Dr. Dick Crofts, Commissioner of Higher Education, spoke about the current biennial budget. He advised that the university system had been laying off people on several campuses for the last three years and in this fiscal year MSU Bozeman gave no salary increases for faculty and administrators. Several campuses deferred maintenance in order to pay utility bills. U of M eliminated 31 FTE this year. The increase in the budget for the next biennium would be \$15 million. Expenditures to be met would be \$41 million in the biennium for utilities, annualization of the last pay plan and annualization of the new pay plan, and the actual cost of education for a \$25 million shortfall. The shortfall could be addressed by reducing expenditures or raising tuition by 9.3 each year. He quoted the LFD study that showed state support per student in Montana is \$2629 less than the average of the other 7 states identified by the legislature as peers in 1999. The study also showed Montana to be the most efficient at educating students in terms of cost. He advised that students have an average debt load of \$17,000.

Questions from the Committee and Responses:

CHAIRMAN KEENAN inquired if the Commissioners office or the university system were a part of the negotiations for the state pay plan. **Commissioner Crofts** indicated they negotiate separately with MPEA. **CHAIRMAN KEENAN** asked if the state pay plan would result in a 4 percent tuition increase. **Commissioner Crofts** reported that the annualization of the last pay plan would cost \$7.2 million and the implementation of the new pay plan would cost \$10 million in addition to what was in HB 13. The tuition increase was estimated to be 3.8 percent per year.

SEN. ZOOK asked what other issues were addressed in the interim study. **Commissioner Crofts** noted the study included expenditures per student and comparisons of salary levels. **SEN. ZOOK** asked how salary levels compared with the states within the study.

SEN. MCCARTHY recalled the salaries were about in the middle.

SEN. ARNIE MOHL asked the percentage of turnover due to staff salaries. **Commissioner Crofts** thought the turnover was less of a problem than when new people need to be hired. When faculty members leave they tend to go to well-endowed, prestigious universities and there was no real way to retain them. Faculty salaries in general were slightly below those of the peer group.

{Tape : 6; Side : B} **SEN. MOHL** asked how long it took to fill vacancies. **Commissioner Crofts** stated that vacancies were typically filled within the following year, but engineering and computer science positions often go unfilled. In highly competitive positions, the number of applicants has dramatically declined.

SEN. STAPLETON inquired if there were too many colleges in Montana for sustainability and whether reductions had been considered. **Commissioner Crofts** advised that closing campuses was not a realistic solution fiscally. Closing two campuses would not cover even 2/3 of the shortfall. He did not believe that it was politically workable and did not know of any 4-year public institution that had ever been closed. The cost of educating students would still be there. Wyoming has a single university that spends \$13,000 per student compared to Montana at \$6900 per student.

SEN. JOHNSON asked **REP. WITT** about the changes in the budget from the subcommittee until it got through the floor of the House, particularly in the general fund. The reply from staff was that the House Appropriations Committee reduced the budget \$1,100,562,000 for the FTE funding reduction for the biennium. The tribal reduction was \$33,000 but some of that was added back in the global motion of the previous day. There was a reduction of \$6000 for the education commission.

State Board of Public Education

Dr. Kirk Miller, Chairman State Board of Public Education, stated the board was created by the Montana Constitution in 1972. The Board generally supervises elementary and secondary schools in Montana, adopts standards of accreditation, effects a system of teacher certification, and adopts teacher education programs in the university system. They provide leadership to the public education system and work with the Board of Regents and the Board of Education to develop a budget from preschool through higher ed. The budget of the agency is small and he requested reinstatement of the travel reductions of 25 percent. The cuts would take away the abilities of the board to conduct two meetings. He also asked about restoring the \$8000 that was cut for the standards adoption and implementation process and the funds for membership to the National Association of State Boards of Education.

REP. WITT responded that the 25 percent reductions for travel were from general fund only. He recognized the impact of reductions on a small agency but thought travel budgets needed scrutiny. He encouraged the committee to keep in mind that many of the actions of the subcommittee were unanimous.

Motion: SEN. STAPLETON moved that **HB000213.asc** BE ADOPTED.
EXHIBIT (fcs66a29)

SEN. GREG JERGESON explained HB000213.asc was a technical amendment to adjust the numbers to meet the vacancy savings change.

Dave Brown, Legislative Fiscal Division, explained the amendment would give the School for the Deaf and Blind 2 percent vacancy savings as per the intent of the House Committee of the Whole.

Vote: Motion that **HB000213.asc** BE ADOPTED carried unanimously.

Motion: SEN. JERGESON moved that **HB000219.asc** BE ADOPTED.
EXHIBIT (fcs66a30)

SEN. JERGESON explained the amendment would restore the travel budget for the School for the Deaf and Blind.

Vote: Motion that **HB000219.asc** BE ADOPTED carried unanimously.

Motion: SEN. COBB moved that **HB000207.ajs** BE ADOPTED.
EXHIBIT (fcs66a31)

Jeff Stanaway, Legislative Fiscal Division, advised the amendment put the word "restricted" on four line items in the distribution section of OPI. That means they could not move money between line items. He noted, in response to a question by **SEN.**

WATERMAN, that the line items were Base A, Special Ed, Transportation and School Facility Reimbursements. He said the word "restricted" had usually been applied to those four line items.

Vote: Motion that **HB000207.ajs** BE ADOPTED carried unanimously.

Board of Public Education

Motion: **SEN. JERGESON** moved that **HB000215.asc** BE ADOPTED.

EXHIBIT (fcs66a32)

SEN. JERGESON explained the amendment would remove an appropriation for the Montana Education Coordinating Committee by the House Committee of the Whole. He stated that E-4, line 23 said the appropriation was contingent on the passage of a piece of legislation in violation of the rules for joint committees at the beginning of the session. Appropriations and contingent language could not be inserted until the bill passed the legislature.

Vote: Motion that **HB000215.asc** BE ADOPTED carried unanimously.

Motion: **SEN. JERGESON** moved that **HB000216.asc** BE ADOPTED.

EXHIBIT (fcs66a33)

SEN. JERGESON advised the amendment would restore the \$8000 per year approved in subcommittee for the Board of Public Education to review Office of Public Instruction recommended standards for school improvement, which the board was required to review.

SEN. BECK asked where the amount was taken out. It was explained by **Mr. Bob Brown, Board of Public Education**, that it was taken out in House Appropriations.

Vote: Motion **HB000216.ASC** carried 14-4.

Motion: **SEN. JERGESON** moved that **HB000217.asc** BE ADOPTED.

EXHIBIT (fcs66a34)

SEN. JERGESON explained the amendment would restore funding approved in subcommittee for the Board of Education for the 25 percent travel reduction made by the House.

SEN. MCCARTHY expressed that having citizen boards in Montana was wonderful and the only way to keep those boards was to pay their travel.

SEN. STAPLETON asked about distance learning and video conferencing in the reduction of travel costs. That technology was originally sold on efficiency and he wondered if meetings by video and teleconferencing were reflected in a reduction in the need for travel. **Dr. Kirk Miller, Chair Board of Public Education**, indicated that the board conducted a hearing on a rule change with 11 different sites utilizing the new technology. The request was to restore enough to continue to have 7 face-to-face meetings. He mentioned that they try to coordinate schedules so that the Board of Public Education and the Board of Regents were meeting in the same town, so if there were issues of common concern those joint issues could be addressed.

SEN. JOHNSON pointed out that the 3 amendments for the Board of Education involved items that were approved in subcommittee. **{Tape : 7; Side : A}** **REP. WITT** hoped the committee would respect the work of the subcommittee.

Vote: Motion that **HB000217.asc** BE ADOPTED carried unanimously.

Motion: **SEN. JOHNSON** moved that **HB000218.asc** BE ADOPTED.
EXHIBIT (fcs66a35)

SEN. JOHNSON advised the House Appropriations Committee cut \$15,000 that the Board of Public Education had requested for membership dues to the National Association of Boards of Education and that the amendment would restore the funding. He stressed that the Board supervised the entire K-12 system and OPI. He couldn't understand cutting that amount for a Board that runs one of the biggest budgets in the state.

SEN. MILLER supported the request in subcommittee because he felt it was important to fine tune standards for schools. He had hoped for a different set of standards than what was developed.

Vote: Motion that **HB000218.asc** BE ADOPTED failed 17-1 with Wells voting aye.

Motion: **SEN. KEENAN** moved that **HB000228.atp** BE ADOPTED.
EXHIBIT (fcs66a36)

Chuck Swysgood, Budget Director, OBPP, advised the amendment would add \$450,000 back into the budget for the School Improvement project at OPI. It would restore the general fund 3.0 general funded base-level FTE removed on the House floor. He

felt OPI was unfairly impacted. The amendment would also reduce the cost of the Teacher Loan Forgiveness program added on the House Floor to implement HB 140. The amendment would eliminate the general fund block grant to schools. The net impact of the amendment was \$1 million savings to the general fund.

SEN. WATERMAN asked for clarification on what the general fund block grant was and also whether HB 140 had passed both houses. **CHAIRMAN KEENAN** clarified that HB 140 was in Senate Finance Committee and hadn't been heard. **SEN. WATERMAN** asked why it was in HB 2 as that would not be in accordance with the rules. **Director Swysgood** replied that the extra general fund money that was in the ending fund balance was put in a block grant program back to schools by House Appropriations Committee action.

Motion: SEN. MILLER moved a **SUBSTITUTE MOTION TO SEGREGATE AMENDMENT #1 OF HB000228.atp**.

SEN. MILLER explained Amendment #1 dealt with the standards that he had spoken to previously.

SEN. BECK asked if the funding for HB 140 for \$1 million was put in on the House floor. That was affirmed by **CHAIRMAN KEENAN**. He asked if \$563,094 was what was being taken out of that now. **SEN. BECK** said he had an amendment that would probably take it all out. **SEN. WATERMAN** thought the amendments might all be segregated and with #3, the funding should be removed entirely for HB 140 until it passes to be consistent with the rules. **SEN. JERGESON** said that was also the decision of the subcommittee. There was further discussion and clarification that the amendments were in order in the bill.

SEN. JOHNSON questioned the calculation of the \$1,004,657 impact to the general fund. **Taryn Purdy, Legislative Fiscal Division**, explained clarified that #1 included both #1 and #2. #2 was the administrative portion and takes out \$123,000. #3 takes away 1.5 million in a block grant. #4 reduces the teacher loan program.

SEN. SHEA asked if #1 included the restoration of the FTE. That was affirmed by **Taryn Purdy**. She explained it restores the 3 FTE from the base and adds an additional 2 FTE for the School Improvement Program.

SEN. BECK thought his amendment would allow eliminating #4.

CHAIRMAN KEENAN withdrew his motion on HB000228.atp.

Motion: SEN. MCCARTHY moved that HB000223.atp BE ADOPTED.

EXHIBIT(fcs66a37)

She explained the amendment would restore the funding for the 4 base level FTE in OPI. One was the communication position removed in the **Martz** budget. Three were removed on the House floor. **Superintendent Linda McCullough, OPI**, would be the only statewide elected official to receive a cut in her personal staff. One of the positions would focus on the high Indian drop-out rates in the state.

CHAIRMAN KEENAN wanted to somehow segregate the amendment and couldn't see how to do that. **SEN. BECK** preferred not to fund the 4th FTE and saw no way to segregate one amendment.

SEN. MCCARTHY withdrew her motion.

Motion: SEN. MCCARTHY moved TO RESTORE THE 3 BASE FTE THAT WERE REMOVED ON THE HOUSE FLOOR (\$110,424 IN FISCAL 2002 AND \$110,808 IN FISCAL 2003.

Vote: Motion TO RESTORE 3 BASE FTE carried 15-3 with Miller, Mohl and Stapleton voting no.

Motion/Vote: SEN. BECK moved that HB000215.atp (TO ELIMINATE THE TEACHER LOAN PROGRAM APPROPRIATION IN OPI ADDED ON THE HOUSE FLOOR TO IMPLEMENT HB 140) BE ADOPTED. Motion carried unanimously. **EXHIBIT**(fcs66a38)

Motion: SEN. WATERMAN moved HB000228.atp #4 (#1 in the explanation) TO ADD \$450,000 GENERAL FUND EACH YEAR FOR THE SCHOOL IMPROVEMENT PROJECT, INCLUDING 2.0 FTE.

Vote: Motion that HB000228.atp #4 (#1 IN THE EXPLANATION) BE ADOPTED failed 8-10 with Christiaens, Cobb, Jergeson, McCarthy, Nelson, Shea, Tester, and Waterman voting aye.

Motion: SEN. STAPLETON moved that HB000228.atp #3 (EXPLANATION #4) to eliminate the \$1,563,795 general fund block grants to schools BE ADOPTED.

SEN. JERGESON explained that **Director Swysgood** had indicated that the grants were part of the offset to get school improvement back in.

Vote: Motion HB000228.atp #3 carried 16-2 with Jergeson and Waterman voting no.

Motion: SEN. BECK moved that HB000228.atp #1 BE ADOPTED.

SEN. BECK explained the amendment would add \$450,000 general fund each year for the School Improvement Project including 2 FTE. He believed the governor would like to see the amendment.

Vote: Motion carried 10-8 with Crismore, Johnson, Keenan, Miller, Mohl, Stapleton, Wells, and Zook voting no.

{Tape : 7; Side : B}

Motion: **SEN. NELSON** moved that **HB000221.atp** BE ADOPTED.
EXHIBIT(fcs66a39)

SEN. NELSON advised the amendment implemented HB 528 that passed last session which called for recognition of the cultural heritage of American Indians and preservation of that heritage in educational goals.

Vote: Motion passed 16-2 with Stapleton and Wells voting no.

SEN. JOHNSON asked for a roll call vote on HB000221.atp.

Vote: Motion **HB000221.atp** failed 8-10 with Christiaens, Cobb, Jergeson, McCarthy, Nelson, Shea, Tester, and Waterman voting aye.

-recess 5:45 p.m.-

-reconvene 6:00 p.m.-

Motion: **SEN. COBB** moved that **HB000226.ATP** BE ADOPTED.
EXHIBIT(fcs66a40)

SEN. COBB informed the committee that the amendment requested an interim study from OPI and the Board of Education to look at why teacher salaries are declining as a percentage of the total K-12 budget and at budget flexibility.

SEN. MILLER contended that findings would differ depending on who was asked the questions. He thought it would be found that the reason teachers were leaving was due to salaries.

SEN. COBB stressed the importance of examining state and federal rules and regulations to maintain an improved level of quality. He said it was a policy issue.

SEN. BECK wondered about the teacher-student ratio and whether less teachers would mean higher teacher salaries. He wondered if those sorts of questions would be included.

SEN. COBB said there was to be an interim study anyway, and that his amendment would fit in.

SEN. MCCARTHY wondered if it would fit in to ask why and at what percentage experienced teachers pull their retirement, quit, and go work in another state.

SEN. WATERMAN wondered about assigning the study to the Interim Education Committee to research the issues.

SEN. ZOOK thought two separate bodies could look at the questions. He said the amendment had no money in it and he would not oppose it. He thought with only 36 percent of the money spent on education going to teachers, there was a valid question raised. He hoped the interim committee and the education people both would look at the issue.

Motion: **SEN. MILLER** moved a **SUBSTITUTE MOTION THAT THE BOARD OF PUBLIC EDUCATION, OPI and THE INTERIM EDUCATION COMMITTEE STUDY THE ISSUES.**

SEN. JERGESON supported the amendment. He advised that more and more of the general fund budgets for school districts are having to be applied to special ed and that consumes a percentage.

CHAIRMAN KEENAN advised he had asked **Wayne Buchanan, Executive Director, Montana Board of Public Education**, for a fiscal note for the cost of accreditation standards.

SEN. CHRISTIAENS cautioned the committee on putting too much on the Legislative Services staff during the interim. He encouraged as many studies be done in house as possible.

SEN. COBB advised the amendment was just a request.

Vote: Motion **carried 16-2.**

Motion: **SEN. KEENAN** moved that **HB000231.atp to restore a portion of the OPI travel budget BE ADOPTED. EXHIBIT(fcs66a41)**

SEN. WATERMAN cited the fairness issue.

Motion: **SEN. WATERMAN** moved a **SUBSTITUTE MOTION TO RESTORE 46% OF THE OPI TRAVEL BUDGET.**

Vote: Motion **SUBSTITUTE MOTION failed 9-9 with Christiaens, Cobb, Jergeson, McCarthy, Nelson, Shea, Tash, Tester, and Waterman voting aye.**

SEN. SHEA asked why the OPI travel budget was not part of the global motions of the previous day. **Superintendent McCullough** indicated she had asked her staff not to draft amendments to restore funding for cuts that were done to all agencies. OPI did not realize other agencies would be restored and she now felt OPI should be included.

Motion/Vote: **SEN. BECK** moved **TO RECONSIDER ACTION ON HB000231.atp**. Motion carried 17-1 with Wells voting no.

Motion: **SEN. SHEA** moved **HB000231.atp AT 46% THE SAME AS OTHER AGENCIES WERE RESTORED**.

Vote: Motion that **HB000231.atp AT 46% BE ADOPTED** carried 15-3 with Crismore, Mohl, and Wells voting no.

Motion: **SEN. COBB** moved **TO RESTORE 1% FTE REDUCTION TO OPI DONE BY AMENDMENT IN THE HOUSE APPROPRIATIONS COMMITTEE BY REP. KASTEN**.

SEN. WELLS resisted the motion. **SEN. WATERMAN** advised the committee had restored the cut in the governor's office and the DOJ. **SEN. STAPLETON** also resisted the motion.

Vote: Motion **TO RESTORE 1% FTE TO OPI** failed 7-11 with Christiaens, Cobb, Jergeson, McCarthy, Nelson, Shea and Waterman voting aye.

Motion: **SEN. COBB** moved **TO RESTORE THE NUMBERS IN E-1 BOILERPLATE LINE 20**.

Jim Standaert, Legislative Fiscal Division, explained there were three items that caused the move and that they were now gone.

Vote: Motion carried unanimously.

Motion: **SEN. MILLER** moved **TO RECONSIDER ACTION ON HB000228.atp**.

SEN. MILLER stated a need to be sure of what was voted on. The original motion was to add \$450,000 every year for the School Improvement budget including 2 FTEs.

Vote: Motion **TO RECONSIDER ACTION** carried 10-8 with Christiaens, Cobb, Jergeson, McCarthy, Nelson, Shea, Tester, and Waterman voting no.

{Tape : 8; Side : A}

Motion/Vote: SEN. BECK moved TO REMOVE \$450,000 AND 2 FTE FOR THE SCHOOL IMPROVEMENT PROGRAM. Motion carried 10-8 with Christiaens, Cobb, Jergeson, McCarthy, Nelson, Shea, Tester, and Waterman voting no.

Higher Education

Motion: SEN. ZOOK moved that HB000216.atp BE ADOPTED.
EXHIBIT(fcs66a42)

SEN. ZOOK explained the amendment would increase the estimated enrollment at community colleges. The numbers were decreased in subcommittee and the amendment would increase only part of what was in the **Martz** budget. A corresponding reduction would be made to the lump-sum distribution to the university units.

SEN. JOHNSON felt the subcommittee treated both the university system and the community colleges the same.

Pam Joehler, Legislative Fiscal Division, pointed out that on E-66 of the HB 2 narrative, there was a table showing the community college enrollment and historical data. Resident enrollment has been generally declining the last several years. The figures the subcommittee used, projected a 1 percent increase each year for FY 2002 and FY 2003. She stated that enrollment estimates were determined by recent enrollment trends both for the university system and the community colleges so they were basically treated the same.

SEN. ZOOK asked the budget office how the calculations were made for the **Martz** budget. He also requested that a representative of one of the community colleges defend their figures.

Amy Carlson, OBPP, advised she made inquiries in the fall and her numbers were a little higher. SEN. ZOOK asked how they figured enrollment systems in the university system. **Ms. Carlson** said the university system primarily does the projections and OBPP reviews them. SEN. ZOOK asked if they work with the community colleges on their numbers also. **Ms. Carlson** stated yes.

Jane Caras, Vice-President Flathead Valley Community College, advised community college enrollments had been declining but have been increasing again. She indicated the enrollments were currently at 1997 resident FTE which was 7 above the projection for FY 2002. An increase in unemployment is impacting enrollments at community colleges and the colleges are also increasing their on-line course offerings which has increased the

number of FTE. They expect to increase FTE, but did not expect to use university lump sum to do that.

SEN. ZOOK stated he did not want to go into the general fund either. He would have liked to take the funding from a particular area, rather than a redistribution.

SEN. STAPLETON supported the amendment.

SEN. MOHL asserted that attention should be paid to those in two year colleges.

SEN. WATERMAN stated that the community colleges do a good job. She thought that everything that had been said regarding community colleges could be said about the colleges of technology. The Helena College of Technology had a 53 percent enrollment increase in the last five years along with a great partnership with businesses. She reported that **SEN. BECK** and **Governor Martz** had a meeting at ASARCO, a company that recently laid off 250 workers. Those at the meeting were assured the College of Technology was there to help. Over 100 of those individuals wanted to go back to school. She felt the amendment would take money from the Colleges of Technology to fund the community colleges. She did not favor taking the money from other schools that are also doing an excellent job.

SEN. JERGESON stated he always supported community colleges, but there has never been a time when money was taken from the lump sum for community colleges. They are kept outside the lump sum for specific reasons. The action to take from the lump sum would have a net effect of raising tuitions in the university system to help pay for community colleges. He explained that the Ag Stations, the Extension Service, the Bureau of Mines, and the forestry Experiment Station are all kept outside the lump sum so that university student tuition is not paying for those programs in those other agencies. He stated support for providing \$182,000 per year for community colleges but could not support taking from the lump sum. Subcommittee action reduced support for community colleges by \$200,000 year and \$200,000 was given to fund the bio-science project in the Ag Experiment Stations. He proposed taking the money from the general fund.

Motion: **SEN. ZOOK** moved a **SUBSTITUTE MOTION TO REDUCE THE OPERATIONS BUDGET OF THE COMMISSIONER OF HIGHER EDUCATION'S OFFICE.**

SEN. ZOOK amended his motion to take the money from the operations of the Commissioner of Higher Education Office. He

felt the community colleges did not support taking the money from the lump sum.

SEN. MCCARTHY asked for clarification on the original agreement regarding keeping community colleges separate since they are partly funded by counties. **SEN. JERGESON** contended the original agreement when community colleges within the state partnered up was for 65 percent state support, which gradually declined. He again explained the reason for separation between community colleges and the university system.

SEN. JOHNSON noted there was only one lump sum and that included the commissioners office and that breaking up the lump sum was a problem.

SEN. BECK asked for an explanation. **SEN. MILLER** said intent language was needed.

Pam Joehler, Legislative Fiscal Division, indicated the commissioner's office was in the lump sum. She explained that everything was in the lump sum except the community colleges, the experiment station, extension service and the higher education agencies. She felt **SEN. ZOOK's** substitute motion would take money from the lump sum.

Motion: **SEN. JERGESON** moved **THAT AMENDMENTS #1, #3 AND #4 BE SEGREGATED FROM AMENDMENT #2.**

SEN. MILLER noted that subcommittee action could be justified by looking at the historical data.

SEN. JERGESON pointed out an error in the strike and insert numbers in amendment #1.

SEN. JOHNSON asked if enrollment turned out to be higher than the estimate, would the differential be made up in the future.

Ms. Joehler said language in HB 2 requires both the community colleges and university system to provide services with no additional state contribution if enrollments exceed estimates. If the enrollments fall short of the budget enrollments then funds had to revert a certain amount per student. She supplied the corrected numbers for amendment #1.

{Tape : 8; Side : B}

Vote: Motion that **HB000216.atp #1, #3 AND #4 BE ADOPTED** carried 12-6 with **Christiaens, Johnson, McCarthy, Shea, Tester, and Wells** voting no.

Motion: SEN. ZOOK moved that HB000216.ATP #2 BE ADOPTED.

SEN. WATERMAN asked if it came from the lump sum. That was confirmed by SEN. ZOOK.

SEN. BECK asked about language to move funds from the commissioners office. SEN. ZOOK thought there could be language of intent hoping that would be accepted by the Board of Regents.

SEN. JERGESON commented there were only 15 FTE funded by the general fund in the Commissioner's Office. He stated most of the money in the Commissioner's Office was federal and student loan. He believed the community colleges were justifiable to be taken from the general fund ending balance.

SEN. BECK asked staff what the impact on the general fund would be if the motion failed. SEN. ZOOK replied it would be \$182,000.

Vote: Motion HB000216.ATP #2 failed 9-9 with Christiaens, Cobb, Jergeson, Johnson, McCarthy, Nelson, Shea, Tester, and Waterman voting aye.

Motion: SEN. JERGESON moved that HB000239.apj BE ADOPTED.
EXHIBIT(fcs66a43)

SEN. JERGESON explained the amendment would change the vacancy savings rate at the Extension Service and the Montana Bureau of Mines from 4 percent, established by the subcommittee, to 1.5 percent. He reasoned the Bureau of Mines was a small agency and had not had a vacancy in five years and didn't expect any in the next five.

SEN. MILLER resisted the amendment and supported the subcommittee actions. He said vacancy savings was a way to lower and increase a budget. He was not a fan of vacancy savings but the subcommittee wanted to infuse a little more money into the Ag Experiment Stations.

SEN. BECK thought the subcommittee had recommended 1.5 percent.

SEN. JERGESON clarified that was AES, but not for the Extension Service of the Bureau of Mines. He wanted them to have the same vacancy savings rate.

SEN. MCCARTHY asked if those agencies would be harmed by the higher vacancy savings rate. SEN. JERGESON noted that many of the Extension Service personnel were out in the counties. If a vacancy was left open, a county where an agent is left vacant might experience a 50 or 100 percent vacancy savings rate for

six months or a year. The Bureau of Mines did not have vacancies.

Vote: Motion that **HB000239.apj** BE ADOPTED failed 4-14.

Motion: SEN. JERGESON moved that **HB000241.apj** BE ADOPTED.
EXHIBIT (fcs66a44)

SEN. JERGESON explained the amendment would reallocate the \$412,835 added to the Ag Experiment Station to reduce the 4 percent vacancy savings applied in the **Martz** Budget to 1.5 percent among the Ag Experiment Station, the Extension service, and the Montana Bureau of Mines.

Ms. Joehler explained the amendment would result in vacancy savings of 2.5 percent at the Ag Experiment Station, 2.3 at the Extension Services and 2.8 at the Bureau of Mines.

SEN. MILLER contended the subcommittee felt the Ag Experiment Stations needed a little more cash after hearing testimony from all three departments.

Vote: Motion failed 8-10 with Christiaens, Cobb, Jergeson, Johnson, McCarthy, Shea, Tester, and Waterman voting aye.

Motion: SEN. COBB moved A CONCEPTUAL MOTION STRIKING E-11 AND E-12 LINES 4-5 AND INSTEAD OF REVERTING MONIES ALLOWING UNITS TO KEEP IT.

SEN. JERGESON stated there would be no impact on the general fund. **SEN. MILLER** thought there could be an impact in the future. He thought there would be an incentive for the university to estimate enrollments high. He thought there was a bill dealing with average enrollment estimates.

SEN. COBB stated each budget was different. He thought it was better management to let them keep the money instead of having to revert after the money is already spent. He said it was a policy issue. **SEN. ZOOK** agreed with **SEN. MILLER**. **SEN. JERGESON** supported the motion. He thought when working on budgets based on projected enrollments and then establishing a reversion system different than other state agencies that if calculations were off by a few people, there would be enormous impacts on budgets. Reversions should be based on whether money is spent or not. He supported the motion.

Vote: Motion failed 12-6 with Christiaens, Cobb, Jergeson, McCarthy, Shea, and Tester voting aye.

Motion: SEN. JERGESON moved that HB000240.apj BE ADOPTED.
EXHIBIT (fcs66a45)

The amendment would reduce the per student rate to one-half of the amount required of the university and community colleges to revert if enrollment was below projections, according to SEN. JERGESON. The enrollments are not known until well into the budget year, when money has been expended.

Vote: Motion HB000240.APJ failed 8-10 with Christiaens, Cobb, Jergeson, McCarthy, Nelson, Shea, Tester, and Waterman voting aye.

Motion: SEN. SHEA moved that HB000246.apj BE ADOPTED.
EXHIBIT (fcs66a46)

SEN. SHEA apprized the committee that HB000246.apj would add \$800,000 general fund in FY 2002 to the Appropriation Distribution Program in the Office of the Commissioner of Higher Education as a biennial appropriation for academic program development at the colleges of technology and community colleges. She cited growth in enrollments, the importance of technology to the economy, and the lack of funds for program development as reasons to pass them amendment.

{Tape : 9; Side : A}

Vote: Motion that HB000246.APJ BE ADOPTED failed with Christiaens, Cobb, Jergeson, McCarthy, Nelson, Shea, Tester, and Waterman voting aye.

Motion: SEN. JERGESON moved that HB000242.apj BE ADOPTED.
EXHIBIT (fcs66a47)

SEN. JERGESON advised the amendment would increase state support per resident student FTE by \$50 in fiscal 2002 and \$100 in fiscal 2003.

Vote: Motion that HB000242.apj BE ADOPTED failed with Christiaens, Jergeson, McCarthy, Nelson, Shea, Stapleton, Tester, and Waterman voting aye.

Motion: SEN. WATERMAN moved that HB000245.apj BE ADOPTED.
EXHIBIT (fcs66a48)

SEN. WATERMAN explained the amendment would restore a portion of the 1 percent FTE funding reduction implemented by the House

Appropriations Committee to the Appropriations Distribution Program in the Office of the Commissioner of Higher Education.

Rod Sundsted, Associate Commissioner of Fiscal Affairs, Commissioner of Higher Education Office, advised that what happened in subcommittee with the FTE reduction was that they took the total number of FTE in the University System times 1 percent. The amendment asked that the reduction not apply to those agencies that have less than 100 FTE (Bureau of Mines, Fire Services Training School, Forestry, CHE, the Great Falls COT, Helena COT, and Western). The cost to the general fund would be \$82,000 per year.

Vote: Motion HB000245.apj failed 7-11 with Christiaens, Jergeson, McCarthy, Nelson, Shea, Tester, and Waterman voting aye.

Motion: SEN. JERGESON moved that HB000243.apj BE ADOPTED.
EXHIBIT (fcs66a49)

SEN. JERGESON explained the amendment would fund the new proposal for increased fee waivers cost (due to tuition rate increases) with 100 percent general fund. Mandatory fee waivers are paid by the university system for veterans and Indians.

SEN. STAPLETON asked if it was only for those categories. **SEN. JERGESON** indicated those were the bulk of fee waivers. **SEN. ZOOK** thought the fee waiver list was rather lengthy. He said there was resentment that guardsmen were added last session. He believed one of them was for out of state athletes. The Senator resisted the amendment.

SEN. MCCARTHY contended there was a long list but some were hardly used. There were such things on the list as widow's of police officers killed in the line of duty, children of police officers killed, and children of those firefighters killed in the line of duty. The regents have not been permitted, because of legislative action to remove any of those fee waivers. The principal ones that were used were the two mentioned and hardly any of the others.

SEN. WATERMAN asked if the amendment would not include athletic fee waivers. **SEN. JERGESON** advised he could not say that it would not.

Ms. Joehler informed the committee that the amendment did not distinguish. She said **Governor Racicot's** executive budget included the fee waiver cost for both additional enrollment and enrollment increases. Additional enrollment was in present law adjustments. **Governor Racicot** funded the cost of both of those

from the state general fund. **Governor Martz** funded both of those adjustments half from the general fund and half from student tuition. She claimed the amendment would restore the proposal which was the increased cost of the fee waivers due to anticipated tuition rate increases. It would be restored to 100 percent general fund. That includes all fee waivers.

SEN. WATERMAN stated if the funding was not restored to 100 percent, the legislature has told the university system to end the fee waivers and other students are going to pay for them through their tuition. She did not remember it being mandated that other students would pay those fee waivers through their tuition. She stated she had opposed many fee waivers over the years, but to ask students to pay for them was not acceptable.

Vote: Motion **HB000245.apj** failed 7-11 with **Christiaens, Jergeson, McCarthy, Nelson, Shea, Tester, and Waterman** voting aye.

Motion/Vote: **SEN. COBB** moved **TO CLOSE SECTION E.** Motion carried unanimously.

-break 7:35-

-reconvene 7:45-

Motion: **SEN. COBB** moved that **HB000206.acs** BE ADOPTED.
EXHIBIT (fcs66a50)

SEN. COBB advised the amendment would remove FTEs positions that had been vacant for over seven month. The money would still be in the budget, but the budget office would need to approve adding the positions back in.

Vote: Motion that **HB000206.acs** BE ADOPTED carried unanimously.

Motion: **SEN. COBB** moved that **HB000207.acs** BE ADOPTED.
EXHIBIT (fcs66a51)

SEN. COBB advised the amendment was for an analysis of getting rid of the vacancy savings concept by next session.

SEN. STAPLETON thought the study should be available by the post election caucuses. **Clayton Schenck, Legislative Fiscal Analyst,** assured him that the study would be available before November.

Vote: Motion that **HB000207.acs** BE ADOPTED carried unanimously.

Motion: **SEN. COBB** moved that **HB000210.acs** BE ADOPTED.
EXHIBIT (fcs66a52)

SEN. COBB advised the amendment was an energy management effort that would require agencies to report back on what they are doing to control energy costs.

Vote: Motion that **HB000210.acs** BE ADOPTED carried unanimously.

Motion: **SEN. COBB** moved that **HB000211.acs** BE ADOPTED.

EXHIBIT (fcs66a53)

SEN. COBB advised the amendment was for energy conservation goals.

SEN. WATERMAN asked if agencies achieved their goals, could they keep the money. **SEN. COBB** said his concern was that there was no extra money in the budget now.

SEN. ZOOK asked how the savings would be measured. **SEN. COBB** indicated it would be by total used.

SEN. JERGESON asked about leased buildings and whether rents include utilities. He wondered how those would be measured. **SEN. COBB** said he didn't get that detailed but just set the goal. **SEN. JERGESON** wondered about the Capitol where agencies shared the building. **SEN. COBB** said in other states, they try to work together and work it out in team manager plans.

SEN. STAPLETON opposed the amendment on the issue of fairness. There would be more exceptions than the rule.

SEN. ZOOK supported the amendment.

Vote: Motion that **HB000211.acs** BE ADOPTED passed 17-1 with Stapleton voting no.

Motion: **SEN. COBB** moved that **HB000225.atp** BE ADOPTED.

EXHIBIT (fcs66a54)

SEN. COBB advised the amendment would have each department, the Montana University System, and when appropriate, each division of each department post goals, benchmarks and objectives on their respective websites or on the state's website and update it once a year.

SEN. CHRISTIAENS asked if the DOC had goals. **SEN. COBB** said some agencies did very well with setting goals.

Vote: Motion that **HB000225.atp** BE ADOPTED passed 15-3 with Beck, Miller, and Mohl voting no.

Motion: SEN. COBB moved that HB000227.atp BE ADOPTED.
EXHIBIT (fcs66a55)

SEN. COBB said it would eliminate the requirement that at least 60 percent of the positions removed in the global 2.5 percent FTE reduction approved by the House of Representatives be grade 15 or above.

Mr. Schenck suggested revising the amendment to include striking line 7 and 8 in their entirety.

Vote: Motion that HB000227.ATP BE ADOPTED carried unanimously.

Motion: SEN. COBB moved that HB 2 BE CONCURRED IN AS AMENDED.

SEN. BECK advised there was an amendment that dealt with County Attorneys, who are elected officials. SEN. CHRISTIAENS explained the amendment passed. He indicated the state pays 50 percent of County Attorney salaries, and for part time County Attorney's, the state pays less depending on the size of the county.

SEN. WATERMAN thought the amendment had failed.

Motion/Vote: SEN. COBB moved to RE-OPEN SECTION D FOR THE PURPOSE OF PUTTING THE COUNTY ATTORNEY SALARIES BACK IN. Motion carried unanimously.

Motion/Vote: SEN. BECK moved to RECONSIDER ACTION ON HB000248.ALT. Motion carried unanimously.

Motion: SEN. BECK moved HB000248.alt BE ADOPTED.

SEN. BECK explained that because County Attorneys are elected officials, the amendment would restore the general fund for that portion of the original amendment to cut FTE by 1 percent.

Vote: Motion that HB000248.alt BE ADOPTED carried unanimously.

Vote: Motion that HB 2 BE CONCURRED IN AS AMENDED carried 17-1 with Cobb voting no.

ADJOURNMENT

Adjournment: 8:05 P.M.

SEN. BOB KEENAN, Chairman

PRUDENCE GILDROY, Secretary

BK/PG

EXHIBIT (fcs66aad)